

>: More Bang for Your Buck: Dow 12,000!

Friday, April 7, 2006 | Jason Jovine

The U.S. economy has got to have us feeling pretty darn good. The unemployment rate is an amazing 4.8% (does anybody even remember when 6% was considered "golden"?) and the cost of money is still only 4.75%. And the way I see it, even rumors of inflation's resurgence have been greatly exaggerated.

It's no wonder that this amazing and wonderful engine we have is the envy of the world.

Just think about it for a moment. Who on earth would have predicted at the height of the Cold War - when tests for the emergency broadcast system seemed to come on as often as Viagra commercials do today - that we would win because we knew how to create jobs?

That's why our economic system has been copied worldwide more than Britney Spears CDs are copied in China. Who wouldn't want a system that is designed, from a structural perspective, to reward the most mobile and efficient allocation of human and financial capital?

These were the thoughts that were on my mind this week as I was watching that annoying little twerp from France, Prime Minister Dominique de Villepin, twist in the wind trying to copy the very same system he mocked at the United Nations a few years back.

And now they're rioting in France.

Do you believe it?? When the French government is finally starting to come to grips with the fact that - in order to be competitive globally and reduce their high unemployment rates - they have to allow for more mobility of labor.

After almost 20 years of economic disaster, even Japan is getting in on the act. A good friend of mine, who I met in grad school years ago and is Japanese, tells me that the Japanese government as well as industry are starting to see that it may not be the best thing for their overall economy to guarantee workers jobs for life.

For those of us who live here in the United States, we haven't even been close to having real job security since the 1950's. Economics and morals are two totally different topics. From a moral point of view one could argue that workers should have more job security? but from an economic point of view, YOU PROVIDE YOUR OWN job security in the United States.

In other words, if you do a good job where you work and add value, then your employer will not want to get rid of you. If you do a poor job, then out the door you go. In economics we call the core factors that make an economy tick the "factors of production." These include land, labor, capital, and entrepreneurship.

The more freedom that an economy has in deciding how to allocate these resources, the better the economy will do. Ladies and gentlemen, this is the reason why our unemployment rate is only 4.8%? compared to unemployment rates of over 10% in some parts of Europe.

On a historical note, this is also why Socialism didn't work: Because a command economy (in theory and practice) can't efficiently determine what the people want. People vote with their dollars, and only they can tell businesses what they want; not an out of touch government.

In closing, with all of that being said, I will say that I believe the market will continue to trend higher. I believe that we will see the Dow reach 12,000, and that this will occur within the next 18-24 months, barring any absolute catastrophe such as another 9/11.

Position Updates

I don't know about you, but the thing I hate most about this business are advisors who make recommendations but never follow through with updates from time to time. You know who I'm talking about.

With that in mind, I just wanted to briefly update you all on the recommendations that I've made since I started writing in these pages a few weeks ago.

General Motors Bond (SYM: GM.HB)

CURRENT RECOMMENDATION: **HOLD**